

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

**ANNUAL AUDITED REPORT
FORM X-17A-5
PART III**

OMB APPROVAL
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FACING PAGE
**Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING 01/01/2020 AND ENDING 12/31/2020
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: **AXIO FINANCIAL LLC**

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

489 FIFTH AVENUE, 15TH FLOOR

(No. and Street)

NEW YORK

(City)

NY

(State)

10022

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

MICHAEL T MARRONE

646-930-1906

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

GRASSI & CO., CPAS, P.C.

(Name - if individual, state last, first, middle name)

488 MADISON AVENUE

(Address)

NEW YORK

(City)

NY

(State)

10022

(Zip Code)

CHECK ONE:

☒

Certified Public Accountant

☐

Public Accountant

☐

Accountant not resident in United States or any of its possessions.

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**Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)*

OATH OR AFFIRMATION

I, MARC PALEY, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of AXIO FINANCIAL LLC, as of DECEMBER 31, 2020, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:



[Signature]
Notary Public

Marc L. Paley
Signature

CEO

Title

This report ** contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☐ (c) Statement of Income (Loss) or, if there is other comprehensive income in the period(s) presented, a Statement of Comprehensive Income (as defined in §210.1-02 of Regulation S-X).
- ☐ (d) Statement of Changes in Financial Condition.
- ☐ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☐ (g) Computation of Net Capital.
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

****For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).**

AXIO FINANCIAL LLC
STATEMENT OF FINANCIAL CONDITION
AND REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM
DECEMBER 31, 2020

AXIO FINANCIAL LLC

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Managing Member
of AXIO Financial LLC

Opinion on the Financial Statement

We have audited the accompanying statement of financial condition of AXIO Financial LLC (the "Company") as of December 31, 2020, and the related notes (collectively referred to as the "financial statement"). In our opinion, the financial statement presents fairly, in all material respects, the financial position of the Company as of December 31, 2020 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statement based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement, whether due to error or fraud. Our audit included performing procedures to assess the risks of material misstatement of the financial statement, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statement. We believe that our audit provides a reasonable basis for our opinion.

Grassi & Co, CPAs, P.C.

GRASSI & CO., CPAs, P.C.

We have served as the Company's auditor since 2002.

New York, New York
February 26, 2021

AXIO FINANCIAL LLC
STATEMENT OF FINANCIAL CONDITION
December 31, 2020

ASSETS

ASSETS		
Cash	\$	254,423
Fees receivable		1,261,955
Securities owned, at fair value		6,378,407
Due from clearing broker		282,025
Deposit at clearing broker		100,000
Property and equipment, net		464,619
Right of use asset		216,955
Prepaid expenses		106,800
Receivables from affiliates		14,639
Security deposits		44,968
		<hr/>
TOTAL ASSETS	\$	<u><u>9,124,791</u></u>

LIABILITIES AND MEMBER'S EQUITY

LIABILITIES		
Paycheck Protection Program loan	\$	1,179,400
Due to clearing broker		603,664
Due to Parent		21,000
Accounts payable		510,437
Accrued expenses		983,866
Lease liability		230,022
		<hr/>
TOTAL LIABILITIES		3,528,389
MEMBER'S EQUITY		
		<hr/>
TOTAL LIABILITIES AND MEMBER'S EQUITY	\$	<u><u>9,124,791</u></u>

The accompanying notes are an integral part of this financial statement.

AXIO FINANCIAL LLC
NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2020

Note 1 - Organization

AXIO Financial LLC (the "Company" or "AXIO"), formerly known as Scura Paley Securities LLC, is a broker-dealer registered with the United States Securities and Exchange Commission ("SEC") and is a member of the Financial Industry Regulatory Authority ("FINRA"). AXIO was founded in December 2001 under the laws of the State of Delaware, and is wholly owned by AXIO Group LLC ("Parent"). AXIO primarily engages in the marketing of investment products to broker-dealers and registered investment advisors, and in proprietary and riskless trading of debt securities. AXIO also engages in investment banking and related financial advisory services on a limited basis. AXIO maintained a fully disclosed clearing agreement with RBC Capital Markets, LLC ("RBC") and does not maintain or hold customer accounts. The Company operates out of five offices, located in New York City, Toronto, Florida and California.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statement is presented in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Fair Value of Financial Instruments

Financial Accounting standards Board ("FASB") Accounting Standards Codification ("ASC") ASC 820, *Fair Value Measurements and Disclosures*, defines fair value as the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset or liability. The fair value should be calculated based on assumptions that market participants would use in pricing the asset or liability, not on assumptions specific to the entity.

FASB ASC 820 specifies a hierarchy of valuation techniques based upon whether the inputs to those valuation techniques reflect assumptions other market participants would use based upon market data obtained from independent sources (observable inputs). In accordance with FASB ASC 820, the following summarizes the fair value hierarchy:

Level I Inputs - Unadjusted quoted market prices for identical assets and liabilities in an active market that the Company has the ability to access.

Level II Inputs - Inputs other than the quoted prices in active markets that are observable either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.

Level III Inputs - Inputs based on prices or valuation techniques that are both unobservable and significant to the overall fair value measurement.

AXIO FINANCIAL LLC
NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2020

Note 2 - Summary of Significant Accounting Policies (continued)

Fair Valuation of Investments (continued)

As of December 31, 2020, other than securities owned, there were no other assets that were required to be reported at fair value. The carrying values of non-derivative financial instruments, including cash, due from clearing broker, due from employees and brokers, other assets and accounts payable and accrued expenses, approximate their fair values due to the short term nature of these financial instruments. There were no changes in methods or assumptions used during the year ended December 31, 2020.

The Company values financial instruments using the following: transactions that day in the securities being priced and a consideration of the overall market; if no transaction occur that day, transactions in similar securities, treasury curve, yield curve changes and pricing available from Bloomberg or other vendors as appropriate.

The following table shows the major categories of securities owned measured at fair value at December 31, 2020, grouped by the fair value hierarchy:

	Level I		Level II	
Securities owned at fair value:	Quoted prices in active markets for identical assets		Significant other observable inputs	Balance as of 12/31/20
Corporate bonds	\$ -	\$	6,378,407	\$ 6,378,407
	\$ -	\$	6,378,407	\$ 6,378,407

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets. Leasehold improvements are amortized over the lease term.

Furniture and fixtures	5 years
Computer equipment	3 years
Internally developed software	3 years
Leasehold improvements	Lease term

AXIO FINANCIAL LLC
NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2020

Note 2 - Summary of Significant Accounting Policies (continuing)

Income Taxes

The Company consolidates its taxable income with its Parent, which files a partnership return for federal, state and city purposes. As a result, no federal or New York State income taxes are provided as they are the responsibility of the individual members.

The Company's Parent files income tax returns in the U.S. federal, state and local jurisdictions. With few exceptions, the Company's Parent is no longer subject to U.S. federal, state or local tax examinations by taxing authorities for years before 2017. The years 2017 to 2019 remain subject to examination by taxing authorities.

Use of Estimates

The preparation of the financial statement in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement. Actual results could differ from those estimates.

Recent Accounting Pronouncements

In February 2016, the FASB issued Accounting Standard Update (ASU) 2016-02, "Leases (Topic 842)". This update is to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial condition and disclosing key information about leasing arrangements for U.S. GAAP. The standard requires that a lessee recognize on the statement of financial condition a right of use asset and a lease liability relating to leases with terms of more than twelve months. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee will depend on its classification as a finance or operating lease. This ASU was adopted by the Company on January 1, 2019.

Note 3 - Concentrations

The Company maintains cash balances in one financial institution, which balances are insured by the Federal Deposit Insurance Corporation ("FDIC") for up to \$250,000 per institution. From time to time, the Company's balances may exceed these limits.

AXIO FINANCIAL LLC
NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2020

Note 4 - Net Capital Requirements

The Company is subject to the SEC Uniform Net Capital Rule (Rule 15c3-1) which requires the maintenance of a minimum net capital, as defined, of the greater of \$100,000 or one-fifteenth of aggregate indebtedness, as defined. At December 31, 2020, the Company had net capital of \$4,440,437, which exceeded its requirement of \$102,782 by \$4,337,655. Additionally, the Company must maintain a ratio of aggregate indebtedness to net capital of 15:1 or less. At December 31, 2020, this ratio was 0.35 to 1.

The Company is exempt from the provisions of 17 C.F.R. §15c3-3(k) of the SEC since the Company's activities are limited to those set forth in the conditions for exemption pursuant to subsection k(2)(ii) of the Rule.

Note 5 - Due from/to Clearing Broker

The Company clears all of its proprietary and customer transactions trades through RBC on a fully-disclosed basis. At December 31, 2020, the Company had \$382,025 receivable from RBC. Securities owned by the Company of \$6,378,407 in fixed income securities are held at RBC. The firm purchases structured products from initial and secondary offerings and sells them in the market. The Company margins securities through RBC, which are collateralized by the Company's securities owned.

As of December 31, 2020, the Company has \$603,664 of margin borrowings with RBC. In the normal course of business, the Company indemnifies its clearing broker against specified potential losses in connection with it acting as an agent of, or providing services to, the Company. The maximum potential amount of future payments that the Company could be required to make under this indemnification cannot be estimated. However, the Company believes that it is unlikely it will have to make payments under these arrangements, and as such, has not recorded any contingent liability in the financial statements for this indemnification.

Note 6 - Property and Equipment

Property and equipment, net at December 31, 2020 are summarized as follows:

Furniture and fixtures	\$ 92,242
Computer equipment	188,866
Internally developed software	713,171
Leasehold improvements	61,891
	<hr/> 1,056,170
Less: Accumulated depreciation and amortization	591,551
	<hr/> <hr/> \$ 464,619

AXIO FINANCIAL LLC
NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2020

Note 7 - Related Party Transactions

One of the primary owners of the Parent has a financial interest in an entity that provides sales and administrative services to the Company. The Company reimburses this affiliated entity for the costs of these services on a monthly basis. The Company also shares office space with another affiliated entity that reimburses the Company for its share of the office expenses.

Note 8 - Due to Parent

The Company borrows money from its Parent to fund operations. The Company is not charged interest on the outstanding borrowings and the borrowings are not subject to a specified repayment date. At December 31, 2020, the amount due to parent was \$21,000.

Note 9 - Right of Use Asset and Lease Liability

The Company occupies office space in New York City and Delray Beach, Florida. The current lease in New York City runs through February 2021, and the lease in Delray Beach, Florida runs through March 2023. Both leases were determined to be an operating type lease. The Company does not have any other lease or finance lease arrangements.

In accordance with FASB ("ASU") 2016-02, Leases (Topic 842) the Company classified these leases as operating leases and have no other short-term leases. The leases do not contain renewal options but can be extended month to month at the end of the lease. The Company has reviewed and based the right of use asset and lease liabilities, primarily, on the present value of unpaid future minimum lease payments. In accordance with the guidance, the Company has an increase on its balance sheet as of December 31, 2020 for the right of use asset of \$216,955, offset by lease liabilities of \$230,022. The cost for the operating lease was \$467,813 for the twelve months ended December 31, 2020 and operating cash flow paid for lease liabilities during the same period was \$442,680. The present value of the existing operating lease was determined by using the incremental collateralized borrowing rate at January 1, 2019 of 5.50%.

A reconciliation of operating lease liabilities by minimum lease payments and discount amount by year, as of December 31, 2020, is as follows:

<u>Year Ending December 31,</u>	<u>Lease</u>	<u>Less Discount Amount</u>	<u>Total Lease Liability</u>
2021	\$ 142,629	\$ 7,777	\$ 134,852
2022	78,855	3,362	75,493
2023	19,858	181	19,677
	<u>\$ 241,342</u>	<u>\$ 11,320</u>	<u>\$ 230,022</u>

AXIO FINANCIAL LLC
NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2020

Note 10 - Paycheck Protection Program Loan

On April 17, 2020, the Company received loan proceeds in the amount of approximately \$1,179,400 under the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after eight weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the eight-week period.

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. The Company used the proceeds for purposes consistent with the PPP. While the Company currently believes that its use of the loan proceeds meets the conditions for forgiveness of the loan, the Company's actions and information must be evaluated by the lender and SBA before forgiveness is formally granted, thus the Company cannot provide any objective assurance that it will obtain forgiveness in whole or in part.

Note 11 - Internally Developed Software

During the second quarter of fiscal 2019, the Company began the implementation of a new software system. The Company recorded costs related to the software implementation pursuant to FASB ASC 350-40, Internal-Use Software ("FASB ASC 350-40"). FASB ASC 350-40 provides for the capitalization of certain internal payroll and payroll-related costs and other costs that are directly related to the development of certain systems for the internal use of the Company. All costs that are not capitalized under FASB ASC 350-40 are recorded as an operating expense as incurred.

As of December 31, 2020, approximately \$713,171 of costs related to the software implementation project was capitalized. During the third quarter of fiscal 2019, the software was put into service and will be amortized over three years.

Note 12 - Risk and Uncertainties - COVID-19

The pandemic caused by the spread of COVID-19 has impacted most countries, communities, and markets. The extent to which the COVID-19 pandemic may impact the Company's, financial condition, liquidity, results of operations, or prospects will depend on numerous evolving factors that are out of our control and are not able to predict at this time.

AXIO FINANCIAL LLC
NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2020

Note 13 - Subsequent Events

On February 1, 2021 the Company declared a dividend for \$600,000 to the Parent payable on February 15, 2021.

On September 14, 2020 the Company entered into an agreement to lease new office space in New York City starting on April 1, 2021 and running through March 30, 2026. The new office space will replace the current office space in New York City, the lease for which will expire on March 31, 2021.

Outside of the item mentioned in the previous paragraph the Company has evaluated all events or transactions that occurred after December 31, 2020 through February 26, 2021, which is the date that the financial statements were available to be issued. During this period, there were no other material subsequent events requiring disclosure.